

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 727 - HB 1771

March 31, 2011

SUMMARY OF BILL: Abolishes all special school districts on July 1, 2016. Transfers the administration of the special school district to the county school district and requires creation of a new county school district in counties that do not currently have one or in which the county school system does not operate schools serving grades K-12. The new county school system shall take on all funds, property, and liabilities of the abolished district, including repayment of all bonded debt. Requires any tax for the operation of the special school district to be collected and given to the succeeding school district until the private act authorizing the tax is abolished. Requires all municipal school districts operating on July 1, 2016, to create a unification planning commission and consolidate according to Tenn. Code Ann. §§ 49-2-1201 to 49-2-1208 with a goal of consolidation into the county school district by July 1, 2018.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures - \$71,222,300/FY18-19

Exceeds \$71,222,300/FY19-20 and Subsequent Years*

Assumptions:

- There are 14 special school districts (not including Shelby County) and 28 municipal school districts.
- Full consolidation will take two years to complete for all consolidating school districts
- Each special school district and municipal district is unique with different levels of indebtedness, tax rate, size of district, and student population.
- All tax revenue and taxing authority from the abolished special school district will transfer to the new county LEA. New county LEAs will increase expenditures as a result of the transfer of all liabilities of the abolished special school. It is assumed that the funding mechanism for the abolished special school district will remain in effect and this revenue will be used by the county to fund the former special school's operational costs.
- Consolidated local education agencies (LEAs) will have a decrease in administrative expenditures.
- The average salary and benefits for a director of schools in a special school district is \$123,368. Savings for these salaries will be \$1,727,152 (\$123,368 x 14) beginning July 1, 2018.
- In July 2018, the Comptroller estimates that county school systems that are merging with municipal systems will increase expenditures due to a loss in municipal revenue being collected to fund the abolished municipal school system.

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- According to information provided by the Comptroller, the total amount of municipal revenue that was appropriated for municipal schools in FY07-08 was \$71,222,688. Measuring the time period from 2006 to 2010, the Comptroller estimates that a reasonable average annual increase in city appropriations is 0.675 percent. Using this same rate of increase, the Comptroller estimates that the annual percent increase in municipal appropriations will be 5.4 percent in FY18-19. Applied to the 2010 total of \$72,952,548, the estimated municipal appropriations for municipal LEAs in FY18-19 will be \$76,891,986 ($72,952,548 \times 1.054$).
- The average salary and benefits for a director of schools in a municipal school district is \$140,806. Savings for these salaries will be \$3,942,568 ($\$140,806 \times 28$) beginning July 1, 2018.
- The net increase in local expenditures in FY18-19 for counties merging with municipal school districts or special school districts will be \$71,222,266 ($\$76,891,986 - \$3,942,568 - \$1,727,152$). In FY19-20 and subsequent years, the net increase in local expenditures will exceed \$71,222,266.
- All costs for unification planning commissions will be paid for by funds set aside by the county and from funds from the consolidating school districts. Counties contacted by the Comptroller that have used this procedure (Montgomery, Madison, and Washington) have been unable to identify expenditures resulting from this process. Any increase in local expenditures for planning commissions will be not significant.
- All new school districts will have three years from the date of consolidation to determine a new base maintenance of effort (MOE).
- Teacher salaries and benefits will be unchanged.

**Article II, Section 24 of the Tennessee Constitution provides that: No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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